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No. 83-986

# In the Supreme Court of the United States

OCTOBER TERM, 1983

GRAND JEWELS, INC., PETITIONER

*v.*

MONTRES ROLEX, S.A., ET AL.

*ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT*

**MEMORANDUM FOR THE FEDERAL RESPONDENTS IN OPPOSITION**

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Petitioner, the importer of certain improperly trademarked jewelry, seeks review of the decision below that the jewelry was subject to forfeiture under 19 U.S.C. 1526(e). Petitioner's primary claim—that the statute is void for vagueness—was not raised below and thus is not properly before this Court. It is, in any event, without merit. The other issues raised by petitioner, concerning the proper interpretation of 19 U.S.C. 1526(e), do not now warrant review by this Court.

1.a. On or about May 12, 1981, the Customs Service in New York City detained a shipment of approximately 100 18-karat gold watch bracelets, each bearing a crown-like design mark on the clasp. The Customs Service advised petitioner, the importer, that the crown-like design on the bracelets infringed the registered trademark owned by

respondent Montres Rolex, S.A. (Rolex). Rolex was advised of the detention of the infringing bracelets and refused to permit their importation.[1]

b. Under the governing statutes and regulations, infringing marks fall into two categories, with the penalty for importation in the absence of proper consent (see note 1), dependent on the type of infringement. First, pursuant to 19 U.S.C. 1526(e), if a mark is determined to be a counterfeit of a registered trademark, the goods bearing the offending mark must be forfeited (Pet. 5). Section 1526(e) incorporates by reference the definition of "counterfeit" set forth in the Lanham Act (15 U.S.C. 1127). Section 1127 defines a "counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark" (Pet. 6). Second, a mark that is not a counterfeit under 19 U.S.C. 1526(e) nonetheless infringes the registered mark if it is a colorable imitation of that mark (15 U.S.C. 1124). Section 1127 defines a "colorable imitation" as "any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive" (Pet. 6). In contrast to the penalty of forfeiture for goods with a counterfeit mark, goods that bear a colorable imitation of a registered mark may be imported if the offending mark is removed. See 19 C.F.R. 133.21(c) and (d) (Pet. 7).

c. The Customs Service examined the bracelets in its possession to determine if the crown-like design appearing on them was a counterfeit of the Rolex mark. After comparing the mark on the bracelets with the registered Rolex mark on file, the Customs Service determined that there were substantial differences between the design on the

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[1] 19 C.F.R. 133.21(c)(6) permits importation of goods with an infringing mark if the recordant of the registered mark gives written consent. See 19 U.S.C. 1526(a) and (e).

Grand Jewels bracelets and the Rolex registered mark. Because the Grand Jewels mark was thus not "identical with, or substantially indistinguishable from," Rolex's registered mark (see 15 U.S.C. 1127), the Customs Service concluded that the mark appearing on the bracelets was not a counterfeit and that the bracelets were not subject to forfeiture under 19 U.S.C. 1526(e). Notwithstanding the existence of differences between the mark on the bracelets and the Rolex registered mark, the Customs Service did find that the Grand Jewels design was similar to Rolex's mark and that this similarity was "likely to cause confusion or mistake or to deceive" the public (see 15 U.S.C. 1127). Thus, the Customs Service concluded that importation of the goods would be permitted only if the offending mark were removed (see 19 C.F.R. 133.21(c)(4)). Pet. App. A34-A35.

d. The Customs Service's decision was affirmed after administrative review within the Treasury Department (Pet. App. A39-A50). Rolex then filed suit in the United States District Court for the Southern District of New York, seeking review of the agency's decision that the design on the bracelets was not a counterfeit of Rolex's trademark. Rolex complained that in determining whether the mark on the bracelets was a counterfeit—*i.e.*, whether it was identical with or substantially indistinguishable from Rolex's mark—the Customs Service improperly focused on whether an expert official in the Customs Service believed they were identical or substantially indistinguishable. According to Rolex, this comparison should have been made from the perspective not of an expert, but of the average purchaser. Additionally, Rolex argued that the Customs Service erroneously compared the Grand Jewels design with the registered Rolex mark on file with the Customs Service, rather than with the mark as it appears on a Rolex watch bracelet.

The district court agreed with Rolex and set aside the Customs Service's determination that the mark on the bracelets was not a counterfeit (Pet. App. A22-A33). The court of appeals affirmed (Pet. App. A1-A21; 718 F.2d 524).

2. Petitioner's primary contention (Pet. 16-17) is that the statute at issue (19 U.S.C. 1526(e)) is so vague that it violates the Due Process Clause of the Fifth Amendment. But petitioner failed to raise this claim below, and it is well established that this Court will not ordinarily consider issues "neither raised before nor considered by the Court of Appeals." *Adickes* v. *Kress & Co.*, 398 U.S. 144, 147 n.2 (1970); see also *California* v. *Taylor*, 353 U.S. 553, 557 n.2 (1957).

Petitioner's vagueness claim is, in any event, without merit. This Court has repeatedly held that a statute is void for vagueness only if persons "of common intelligence must necessarily guess at its meaning and differ as to its application." *Connally* v. *General Construction Co.*, 269 U.S. 385, 391 (1926); see also *Hoffman Estates* v. *Flipside, Hoffman Estates*, 455 U.S. 489, 498 (1982). Moreover, where (as here) Congress is engaged in the economic regulation of business conduct, it is allowed greater leeway under this standard than where it regulates First Amendment activities. *Papachristou* v. *City of Jacksonville*, 405 U.S. 156, 162 (1972); *Hoffman Estates*, 455 U.S. at 498-499.

Applying these principles, Section 1526(e) is clearly not void for vagueness. The statutory definition of counterfeit—whether a mark is "identical with, or substantially indistinguishable from, a registered mark"—sets forth a standard that calls for an objective comparison between the allegedly infringing mark and the registered mark. Cf. *Hoffman Estates*, 455 U.S. at 500-502. A business person of ordinary intelligence can make this comparison, and accordingly is provided adequate warning of the conduct

proscribed by law.[2] That there may be "marginal cases in which it is difficult to determine the side of the line on which a particular fact situation falls" is no basis for striking down a statute as unconstitutionally vague. *United States* v. *Petrillo*, 332 U.S. 1, 7 (1947).

The dispute here, as it was in the court of appeals, is over which of two plausible interpretations of Section 1526(e) is the correct one—that is, whether the "counterfeit" test must be applied from the standpoint of the average purchaser or from the standpoint of an expert. Petitioner apparently concedes that if the "average purchaser" test is applied, the mark on petitioner's goods falls squarely within the statutory definition of counterfeit (Pet. 18); in any event, the court of appeals, after comparing the marks on the two items, concluded that "[a]n average purchaser would surely find the real and fake bracelets to be substantially indistinguishable" (Pet. App. A19), and petitioner does not challenge that finding here. Thus, petitioner's vagueness challenge must fail, since its conduct is clearly covered by Section 1526(e), as interpreted by the court of appeals.

2. Petitioner also presents, without supporting argument, questions concerning the Customs Service's administration of the trademark laws, which it claims merit review by this Court (Pet. 16, 19). We do not disagree with the general proposition that the correct administration and application of the laws governing the importation of goods bearing infringing marks may, in the future, raise important federal questions. This case, however, does not warrant

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[2]Even if the court of appeals had adopted the alternative interpretation of the standard proposed by the Customs Service, the importation of petitioner's bracelets still would have been barred, because they bore an infringing mark (see page 2, *supra*). Thus, even under the Customs Service's approach, petitioner's conduct violated the statute.

further review. The court of appeals' ruling does not conflict with that of any other circuit. Indeed, the decision below apparently is the first to interpret the recently enacted Section 1526(e).[3] In view of the limited administrative experience under, and judicial interpretations of, this statute, review by this Court of its implementation would be premature at this time.

It is therefore respectfully submitted that the petition for a writ of certiorari should be denied.

REX E. LEE
*Solicitor General*

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[3]Section 1526(e) was enacted as part of the Customs Procedural Reform and Simplification Act of 1978. See Pub. L. No. 95-410, § 211(c), 92 Stat. 903.